

Daniel Beneš, MBA, Chairman of the Board of Directors and Chief Executive Officer of ČEZ, a. s.

To:  
**Michal Šnobl**  
(address)

Prague, November 9, 2018

**Response to request to convene a General Meeting of ČEZ, a. s.**

Dear shareholder,

The Board of Directors of ČEZ, a.s., Company Reg. No. 452 74 649, having its registered office at Praha 4, Duhová 2/1444, Postcode 14053 (“ČEZ”), received your request to convene a General Meeting of ČEZ dated October 11, 2018, signed by you as a representative of a group of shareholders that collectively qualify as a qualified shareholder (the “**Request**”). The Board of Directors of ČEZ respects your right to request that a General Meeting be convened and propose items for its agenda; nevertheless, we deem it necessary to object to your incorrect claim included in the Request, namely that the Board of Directors acted unlawfully when it refused to put matters you requested on the agenda of the General Meeting held on June 22, 2018, because your requests then (although you maintain the contrary now) were belatedly delivered to the company according to the relevant provisions of the Business Corporations Act and as such had to be rejected by the Board of Directors.

First of all, we would like to inform you that a notice of a General Meeting of ČEZ was published on November 9, 2018; this General Meeting, convened on the basis of your Request, will be held at Cubex Center Prague, Na Strži 2097/63, Praha 4, 140 00 at 11:00 a.m. on November 30, 2018 (the “**General Meeting**”).

The notice of the General Meeting clearly shows how the items contained in the Request have been transposed to the General Meeting agenda. We also consider it appropriate to provide you with the following additional explanations, especially on Request items that have not been included in the General Meeting agenda or have been included but modified.

**Re: Request Item 1 (“Cancellation of the Stock Option Plan for the Management of ČEZ, a.s.”)**

- 1.1. The proposals listed under item 1 in the Request have not been put on the General Meeting agenda.
- 1.2. The proposals listed under 1.2.1, 1.2.2, and 1.2.4 in the Request could not be put on the General Meeting agenda most importantly because, in the ČEZ Board of Directors’ opinion, they are outside the powers of the General Meeting for the following reasons:
  - (a) In a joint-stock company with the “German” governance model where members of the Board of Directors are elected by the Supervisory Board rather than the General Meeting, which is applied to ČEZ, such matters as approving (and hence also canceling) bonuses and other consideration for members of the Board of Directors, including the award rules, are placed by law within the powers of the Supervisory Board. The relevant provisions of ČEZ’s Articles of Association are in compliance with that.
  - (b) In this respect, the Board of Directors of ČEZ does not find it determinative that related changes to the Articles of Association are proposed in the Request. The

reason is not only that the Request proposes that the relevant rules be canceled by the General Meeting before it should, according to the Request, debate the changes to the Articles of Association that should, according to the Request, transfer the relevant powers to the General Meeting but also (and most importantly) that the Board of Directors believes that no such transfer of powers may be executed, not even by a change to the Articles of Association, unless the “German” governance model is also canceled.

- (c) If the Request aimed to make the cancellation applicable to ČEZ managers that are not members of the Board of Directors, the Board of Directors states, most significantly, that the matters of remuneration for such employees are placed outside the powers of the General Meeting by law. The relevant provisions of ČEZ’s Articles of Association are in compliance with that.
- (d) Finally, for the sake of completeness, the Board of Directors adds that the rules of the stock option plan that the Request intends to cancel are not applied to members of the Supervisory Board of ČEZ.

1.3. The proposal listed under 1.2.3 in the Request could not be put on the General Meeting agenda most importantly because, in the ČEZ Board of Directors’ opinion, it is also outside the powers of the General Meeting for the following reasons:

- (a) Neither the law nor the Articles of Association empower the General Meeting to deal with any matters that might subsume giving the Supervisory Board an instruction, as proposed, to prepare and submit to the General Meeting for approval a new stock option plan.
- (b) The General Meeting cannot instruct the Supervisory Board to put to its vote a matter that is completely outside the powers of the General Meeting—see the rationale under item 1.2 above.
- (c) For the sake of completeness, the Board of Directors of ČEZ adds that the draft resolution does not present any principles that the Supervisory Board should follow, as required by applicable legal provisions. Such principles could be considered set out in a general framework for the Supervisory Board’s activities but not in a request for specific action consisting in the preparation of a particular proposal and its submission to the General Meeting for approval.

**Re: Request Item 2 (“*Change to the Articles of Association in Relation to Cancellation of the Stock Option Plan for the Management of ČEZ, a.s.*”)**

- 2.1. The proposals listed under item 2 in the Request have in part been put on the General Meeting agenda. The title of the appropriate item on the General Meeting agenda was modified to avoid unclarity and ambiguity. As the matters listed under item 1 in the Request could not be put on the General Meeting agenda (see above), it cannot be said that the change to the Articles of Association should be debated “*in relation to cancellation of the stock option plan for the management of ČEZ, a.s.*” However, in order to preserve the essence of item 2 of the Request to the greatest extent possible, the Board of Directors decided that the title of the relevant item on the General Meeting agenda should be “*Change to the Articles of Association Concerning the Stock Option Plan for the Management of ČEZ, a. s.*”
- 2.2. The proposals listed under 2.2.1 and 2.2.4 in the Request could not be put on the General Meeting agenda because, in the ČEZ Board of Directors’ opinion, the General Meeting cannot debate them for the same reasons as given in the explanation under 1.2, (a), and

(b) above. ČEZ, all the more so because it is a corporation whose securities have been admitted to trading on a European regulated market, cannot accept an amendment to its Articles of Association that would expose it, in the circumstances, to principal legal uncertainty concerning such a significant matter as the remuneration and motivation of the members of its Board of Directors.

- 2.3. The proposals listed under 2.2.2 and 2.2.3 in the Request have been put on the General Meeting agenda.

**Re: Request Item 3 (“Approval of the Transfer of Shares of Elektrárna Počerady, a.s.”)**

- 3.1 The proposal listed under item 3 (specifically 3.2) in the Request has not and cannot be put on the General Meeting agenda because, pursuant to Article 8(1)(j) of the Articles of Association of ČEZ that the Request refers to and that is fully in compliance with law, the powers of the General Meeting include “*approving the assignment, pledge, or lease of an enterprise or such a part thereof that would result in a substantial change to the enterprise structure or a substantial change to the company’s scope of business or activities.*” However, the transfer of shares of Elektrárna Počerady, a.s, does not meet those criteria, so the matter is not within the powers of the company’s General Meeting. All necessary corporate approvals of the 2013 agreement itself and the performance thereof have already been granted in compliance with the Articles of Association of ČEZ.

**Re: Request Item 4 (“ČEZ, a.s., Business Policy (Strategy) and Related Change to the Articles of Association of ČEZ”)**

- 4.1 The proposals listed under item 4 in the Request have in part been put on the General Meeting agenda. The title of the appropriate item on the General Meeting agenda was modified to avoid unclarity and ambiguity. As the proposals listed under 4.3.1 through 4.3.4 in the Request (directly concerning change to the business policy (strategy) of ČEZ, a. s.) could not be put on the General Meeting agenda (see below), in order to preserve the essence of the items included in the General Meeting agenda in relation to item 4 of the Request, the Board of Directors decided that the title of the relevant item on the General Meeting agenda should be “*Change to the Articles of Association Regarding the Business Policy (Strategy) of ČEZ, a. s.*”
- 4.2 The proposals listed under 4.3.1 through 4.3.4 in the Request could not be put on the General Meeting agenda most importantly because, in the ČEZ Board of Directors’ opinion, the General Meeting cannot debate them in the circumstances for the following reasons:
- (a) The proposals are indeterminate and any decision by the General Meeting on this matter would be illusory. The indeterminacy stems from, among other things, the fact that it is not exactly clear how the complex Business Policy of CEZ Group and ČEZ, a.s., approved by the General Meeting in 2014 (the “**Business Policy**”), should be changed. Thus, it is not clear, for example, which provisions of the document should be deleted, where the new “strategies” should be placed, and which existing strategies should have their contents changed and how.
  - (b) The Board of Directors of ČEZ is reasonably confident that members of qualified shareholders’ group submitting the Request have capital or other ties with another competitor, influencing the other competitor’s behavior in a market where CEZ Group operates or may operate. This and other circumstances also make the Board of Directors of ČEZ believe that if ČEZ’s competition strategy changed on grounds of the suggestion made in the Request as requested in the proposals listed under 4.3.1 and 4.3.2 in the Request (abandoning certain markets or abandoning a

strategy to enter them), then ČEZ might be found to participate in prohibited cartel conduct consisting in market partitioning.

In such a case, ČEZ would face a penalty of up to 10% of its global turnover in the last finished accounting period, regardless of whether its participation in the cartel is even culpable. Moreover, members of the Board of Directors and other individuals participating in such conduct would face criminal prosecution under Section 248 of the Criminal Code (Breach of Competition Law).

Therefore, considering the circumstances, the Board of Directors of ČEZ has to assume that the matters in question may not be put on the General Meeting agenda.

- (c) In relation to the proposal listed under 4.3.3 in the Request, it can be added (beyond what was explained under (a) above) that this is no conceptual (strategic) matter in the strict sense. Moreover, the Board of Directors of ČEZ believes that the particular issue put forward in the Request is sufficiently addressed at a general level in the existing Business Policy.
- (d) In relation to the proposal listed under 4.3.4 in the Request, it can be added (beyond what was explained under (a) above) that the material indeterminacy is made the more obvious here by the fact that the Business Policy describes investment, development, and similar strategies in various places while the strategy proposed in the Request is savings-oriented in nature. Therefore, it is not clear how or even whether such different strategies should coexist.

In addition, the Board of Directors of ČEZ believes, in relation to the proposal listed under 4.3.4 in the Request, that it can also be reasonably presumed that ČEZ might become a participant in prohibited cartel conduct consisting in prohibited limitation of development and investment. Consequently, the same similarly applies here as what was assumed and explained under (b) above.

Therefore, the Board of Directors decided not to put the proposals listed under 4.3.1 through 4.3.4 in the Request on the General Meeting agenda because it believes that making illusory or unlawful decisions on any matter is outside the purview of the General Meeting.

- 4.3 The proposals listed under 4.3.5 and 4.3.6 in the Request have been put on the General Meeting agenda. The Board of Directors of ČEZ also (in case the proposal listed under 4.3.5 in the Request is not approved by the General Meeting) prepared its own counterproposal that respects the merits of the proposal included in the Request but puts it, in the Board of Directors' opinion, in a more appropriate context. A more detailed rationale is provided by the Board of Directors of ČEZ in the notice of the General Meeting.

**Re: Request Item 5 (“*Removal and Election of Supervisory Board Members*”)**

The matter included under 5.1 in the Request has been put on the General Meeting agenda.

Sincerely

(signature)